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ABSTRACT

A previous report, which evaluated the economic success of welfare recipients who graduated from Eastern Washington University (EWU), suggested that a college degree led to successful economic performance for welfare recipients. This study focuses on changes in the numbers of welfare students and their subsequent economic performance after the passage of welfare reform. Subjects were all students at EWU from fall 1994 to fall 1998 who identified Temporary Assistance to Needy Families as a source of income. The introduction of welfare reform in Washington State seems to have created disincentives for attending college and seems to be a major factor in the declining number of welfare students attending EWU. This report makes some basic recommendations to retain college as a feasible means for welfare recipients to achieve economic independence: (1) provide child care and other appropriate services; (2) allow welfare recipients to participate in college programs as a category of work activity; (3) include hours of education, work study, and unpaid internships in the work requirement; and (4) make accommodations to extend support beyond the time limits to welfare recipients who are making progress in a degree program. Higher education remains the best strategy for achieving economic independence. (SLD)

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WELFARE COLLEGE STUDENTS: MEASURING THE IMPACT OF WELFARE REFORM

Policy Note 2000/3

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The Jerome Levy Economics Institute of Bard College

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WELFARE COLLEGE STUDENTS: MEASURING THE IMPACT OF WELFARE REFORM

THOMAS KARIER

The rules and regulations that were developed to reduce welfare rolls through immediate employment discourage the achievement of economic independence through the pursuit of higher education.

DURING THE PAST FEW YEARS federal and state governments have made a concerted effort to reorient welfare from income assistance to employment assistance. With the passage of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996, immediate employment became the primary goal of welfare programs across the nation. However, the rules and regulations that were developed to create incentives for immediate employment have created equivalent disincentives for pursuing higher education as a means to achieve economic independence.

The new welfare laws present a particularly difficult hurdle for aspiring college students. For example, under the federal law, students enrolled in college who do not meet the strict work requirements are typically not considered as engaged in an approved work activity. The law allows some community college experience as a form of "vocational educational training," but there are caps on the number of months permitted for any one individual and on the total number of people permitted in these programs. No individual may count vocational education as part of work activity for more than 12 months, and no more than 30 percent of the population that a state reports as engaged in work activities under Temporary Assistance to Needy Families (TANF) can be participating in vocational education. In the year 2000 the rule became even more restrictive as additional categories of recipients were swept into the 30 percent cap. The states face penalties from the federal government if they do not meet these mandates.

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According to the federal law, 25 percent of single parents had to be working by fiscal year 1997 (rising to 50 percent by fiscal 2002), with the definition of "work" rising from 20 hours per week in fiscal 1997 to 30 hours per week by fiscal 2000. For two-parent families the participation requirements rise from 75 percent to 90 percent over the same time, with work defined as a cumulative 35 hours per week. These work standards are hard for a full-time student to meet, but they are especially difficult for a full-time student who is also a single parent, as are many welfare recipients. States often add to the burden imposed by the combination of school, work, and parenting by denying child care assistance for welfare recipients during the time they are attending college.

Many of these obstacles to college exist in Washington State, as they do throughout the country. State welfare reform, called Work First, was passed in early 1997 and became effective in August 1997. The law allowed a welfare recipient to continue in a college program through June 1998 if the recipient's work plan included the program and the plan had been approved by November 1997. In practice, students who did not finish by June 1998 have been allowed to continue in college, although they must meet the 20-hour work requirement and are not given child care assistance for class time. Work-study positions are counted as work effort, but unpaid internships are not. (In a special concession, the state counts 16 hours of work study as equivalent to 20 hours of work necessary to meet the participation requirement.) These are the same conditions that apply to welfare recipients who do not have a college program in their plan. Welfare students who do not meet the 20-hour work rule are subject to the same penalty as anyone else, typically a 40 percent reduction in their normal grant. As a general rule, no new plans that include a two- or four-year degree program will be approved.

Although investment in higher education is discouraged by the Washington State regulations, investment in short-term training is not. Short-term training programs can still be included in plans for welfare recipients. The state announced in early 1998 that it was making $1 million available to waive tuition for welfare recipients and other low-income individuals for short-term training. The program pays for a course or courses at a community college for a term (one quarter) and child care assistance is provided, but welfare recipients still have to meet the 20-hour rule.

Research Results

In an effort to understand the effects of welfare reform, a research program was developed that monitors a specific population of welfare recipients, those attending Eastern Washington University—a regional, comprehensive institution offering baccalaureate and master's degrees and located in Spokane County. A previous report on this research (Karier 1998) evaluated the economic success of welfare students who graduated from EWU between 1994 and 1996, prior to the passage of welfare reform at the state and national levels. It was found that the median wage for these graduates after 5 to 17 months in the labor market was $11 per hour. This was enough for most families previously on welfare to attain economic independence. A year and a half after graduation only 6 percent of these graduates continued to receive benefits under Aid to Families

with Dependent Children (the precursor of TANF). The conclusion was that a college degree led to successful economic performance for welfare recipients.

The sample for this phase of the research consists of all students at EWU who identified TANF as a source of income between fall 1994 and fall 1998. Samples of students were extracted for each fall during these years. This report focuses on changes in the number of welfare students and their subsequent economic performance after the passage of welfare reform.

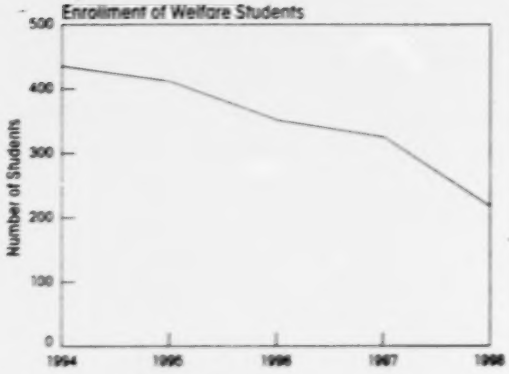
The number of welfare students attending EWU was declining prior to the implementation of Work First in August 1997. It dropped from 435 in fall 1994 to 325 in fall 1997, declining by an average 37 students a year (Figure 1). However, from fall 1997 to fall 1998 the university lost an additional 108 welfare students. The rate of decrease clearly accelerated after the implementation of welfare reform.

Because of fluctuations in university enrollment during this time, it is useful to look at the ratio of welfare students to total enrollment. Welfare students constituted between 4.5 and 5.5 percent of all students from 1994 to 1997, but less than 3 percent by 1998 (Figure 2). Despite an increase of 4.6 percent in total enrollment between 1997 and 1998, the percentage of welfare students fell 33 percent. From 1997 to 1998, the welfare caseload in Spokane County fell 20 percent. There are many reasons for the lower caseload, but it should be clear that this reduction is not sufficient to explain the faster decline in welfare students at EWU.

In fall 1994 most of the welfare students at EWU were in their third year (38 percent) and fourth year (41 percent); the remaining were first- and second-year students (10 percent) and in master's or certificate programs (11 percent). This distribution mirrors the general student body, which is composed primarily of transfer students from community colleges. In fall 1998 the composition of welfare students by class standing changed relatively little, with the significant exception of the third-year class, which fell to 28 percent (Figure 3). This is to be expected if there was a decline in new welfare students, who, like the general student body, normally enter the university as transfer students in their third year.

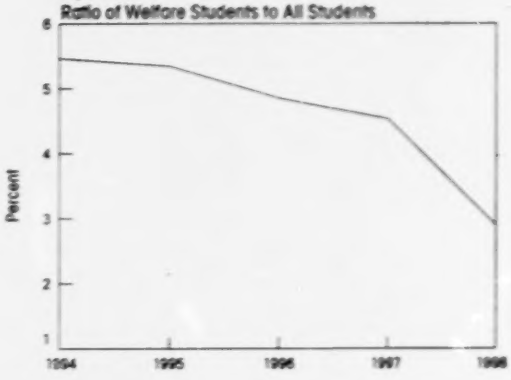
What happened to the welfare students? Of the 132 first-, second-, and third-year students enrolled in fall 1997, 70 percent

Figure 1
Enrollment of Welfare Students



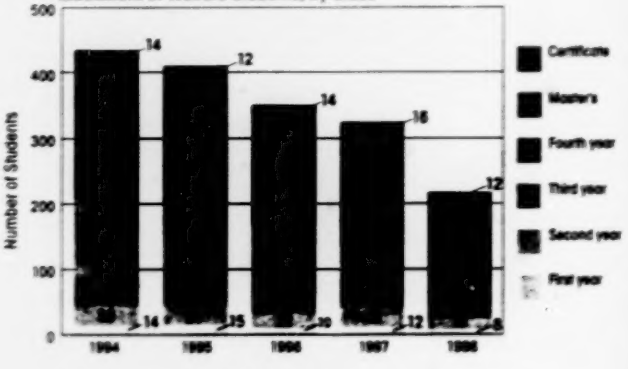
Source: Eastern Washington University

Figure 2
Ratio of Welfare Students to All Students



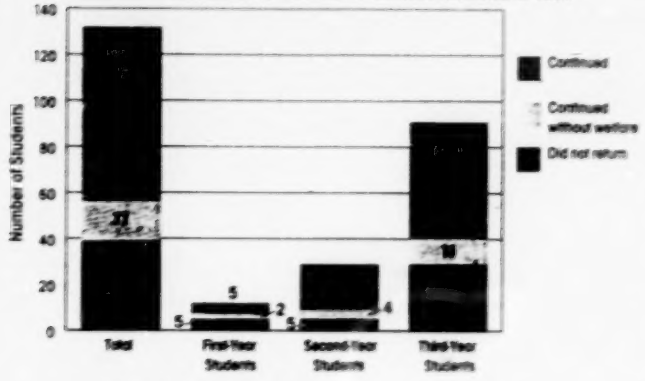
Source: Eastern Washington University

Figure 3
Enrollment of Welfare Students, by Class



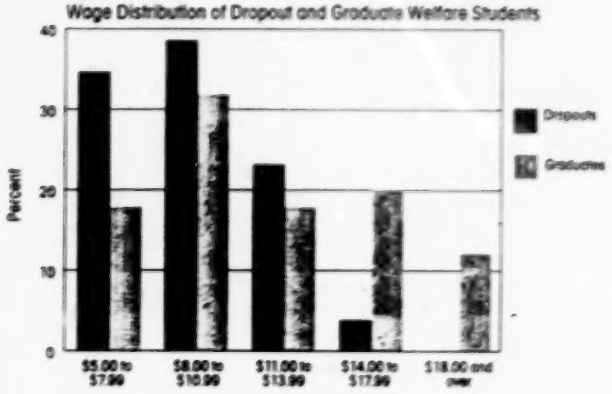
Source: Eastern Washington University

Figure 4
1998 Status of Welfare Students Who Had Been Enrolled in 1997



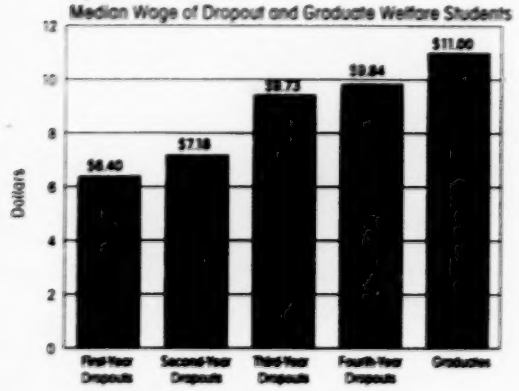
Source: Eastern Washington University

Figure 5
Wage Distribution of Dropout and Graduate Welfare Students



Source: Eastern Washington University; Washington State Employment Security Department

Figure 6
Median Wage of Dropout and Graduate Welfare Students



Source: Eastern Washington University; Washington State Employment Security Department

remained at EWU and were enrolled in fall 1998. Although these students stayed in college, more than a fifth were no longer reporting welfare as a source of income. The remaining 30 percent of the students, a total of 39, did not return to EWU. (These results are summarized by number of students and class standing in Figure 4.)

Most of the reduction in the number of welfare students was due to a reduction in the number of new welfare students, particularly transfer students in their third year, but some of the loss was related to a reduction in the number of continuing students. An effort was made to follow the 39 welfare students who left the university after fall 1997 without graduating. It is assumed that these students dropped out of the university for a variety of reasons, including the more restrictive guidelines and rules governing welfare eligibility.

With the help of the Employment Securities Department of Washington State, it was possible to track the wages of 70 percent of these departing students. The median hourly wage of the dropouts five quarters after leaving school was $9.06, compared with $11.00 four quarters after graduation for those who completed school.

It was also possible to compare the wage distributions of these two groups. Figure 5 shows that the wage distribution of dropouts is skewed to the low end of the scale, and the distribution for graduates is more spread out, especially at the higher wage levels. Only 3.8 percent of the dropouts earned hourly wages in excess of $14.00, compared with 32.0 percent of the graduates. The economic condition of welfare recipients who left the university was clearly inferior to that of those who graduated.

Figure 6 shows that the number of college years completed is related to economic performance. Students who dropped out during their first year averaged only $6.40 per hour, compared with $9.84 for those who dropped out during their fourth year. As expected, the median wage of second- and third-year dropouts fell between these two levels, and the median of all categories of dropouts fell below the median of graduates ($11.00 per hour). This pattern suggests that real economic benefits are associated with each year of college education, even when a degree is not obtained.

A final component of this research tracked the welfare status of dropouts. Even though the median wage was considerably

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different for dropouts and graduates, the percentage continuing on welfare fell dramatically for both groups. Approximately a year and a half after entering the labor market, 90 percent of the dropouts were no longer receiving welfare; after a comparable period of time, 94 percent of graduates were no longer receiving welfare (Karier 1998).

Policy Recommendations

The introduction of welfare reform in Washington State seems to have created disincentives for attending college and to be a major factor in explaining the declining number of welfare students attending Eastern Washington University. Thus, in order to retain college as a feasible means for welfare recipients to achieve economic independence, this report makes four basic recommendations.

1. Provide child care and other appropriate services for welfare recipients while they are engaged in college activity.

2. Allow welfare recipients to participate in college degree programs as an approved category of work activity.

3. Include the hours of college education, work study, and unpaid internships in the work requirement. It may not be necessary to reduce the minimum work requirement for welfare students as long as their education hours count, perhaps in proportion to the number of credits.

4. Make accommodations to extend support beyond the time limits to those welfare recipients who make normal progress in a degree program.

All of these recommendations could be implemented through changes in federal legislation, but it is also possible for states to implement them within the context of current law. The Center for Law and Social Policy (CLASP) completed an excellent study (Greenberg, Strawn, and Plimpton 1999) showing how states can meet the mandates of federal welfare law and still develop innovative programs to permit welfare recipients to pursue higher education. Although federal law certainly makes it more difficult for states to support postsecondary education, states wishing to provide a higher education alternative—through cash assistance, child care, transportation, other services, and even tuition and other related education expenses—have several options.

There are ways states can structure their program within the TANF system and still avoid federal fiscal penalties. If they choose to operate within TANF, they must address the requirement that benefits stop after 24 months unless recipients are "engaged in work." States should be prepared to define work, as is their right, to include postsecondary education. The second hurdle is to meet TANF's required participation rates. While there are limits to including college as

participation, states may not have to worry if they are already exceeding the requirement. The number of qualified adults willing to attend college may not be enough to push a state's participation rate below the federally required level. This is especially true for states that have experienced a sharp reduction in welfare rolls since 1995—which includes most of them. A lower caseload not only makes it easier to meet the targets, it also lowers the targets because participation rate requirements are calculated as a formula that includes caseload reductions.

States that included higher education as part of a previous state program may have yet another option. If they were originally granted a waiver from the federal government, they may find that their postsecondary alternative has been grandfathered in. There are also options to tailor TANF funds for "nonassistance," which do not entail the same regulatory burden as funds for "assistance."

States may also operate programs outside TANF. They can establish separate state maintenance of effort funds. The savings many states have enjoyed from reductions in welfare rolls are an obvious source of funding to pursue this option. By operating outside TANF, states have far more discretion in how they structure their programs and are unhindered by TANF regulations. A particular advantage for recipients is that they need not have to lose ground in the 60-month lifetime limit on benefits.

Maine and Wyoming are two prominent examples of states that have found ways to provide for higher education while avoiding federal penalties. In Maine, Parents as Scholars provides TANF-like support outside the TANF program. Participation is open to needy parents in two- and four-year college programs that meet certain requirements. Wyoming has a similar program and also allows a college option within TANF. Twenty-one other states allow some postsecondary education for more than 12 months under varying conditions.

This report does not claim that college is a panacea that will eliminate poverty and welfare in the United States, but higher education is still the best strategy for achieving economic independence and getting out of poverty for some people. Rather than placing obstacles in the way of these poor, hard-working individuals, the state and federal governments should applaud their efforts and provide meaningful support.

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